



INTERNAL AUDIT REPORT TRANSPORTATION



September 10, 2002

Roanoke City School Board
Roanoke, VA

We have completed an audit of the transportation department. Our audit was performed in accordance with generally accepted governmental auditing standards.

BACKGROUND

The school's transportation department is charged with safely transporting approximately 8,565 school pupils to and from school each day. In order to accomplish this, the department employs approximately 160 persons including bus drivers, bus attendants, mechanics, and administrative staff. Additionally, the department must maintain a fleet of approximately 150 buses. The transportation department must comply with numerous state and federal laws, and is responsible for complying with regulations set forth by the State Board of Education. The State Board of Education is empowered to set the regulations governing the transportation of school pupils. This authority is delegated in Virginia Code Section 22.1-177. The State Board of Education's regulations cover a wide range of topics including the maintenance of the bus fleet, required safety equipment for the fleet, requirements for the drivers, and bus inspections.

Roanoke City Public Schools have policies in place for student transportation services. These policies are documented in the Roanoke City School Board Policy section EE. These policies were derived from State Code and the State Board of Education's regulations. The school policies specifically state that all conditions stipulated by the State Code, State Board of Education, and School Board Policies shall be met (Roanoke City School Board Policy Section EEA). The school board policies specifically relate to bus scheduling, bus safety, student conduct, and special use of the buses.

The department must set bus routes each year to efficiently transport the City's pupils to school and back on a daily basis. The department must make changes to the schedules to accommodate new students and new housing developments within the City. The routes must be assessed for safety and economy on an annual basis per State Board of Education requirements. Additionally, the department must provide transportation for certain field trips and special activities. The special activities include sports practice, sports events, YMCA programs, after-school tutoring, and swim classes at the Gator Aquatic Center. The transportation department recovers the cost of these activities through internal billings to participating schools.

The transportation department's staff of mechanics maintains the bus fleet. The department maintains the general condition of the buses and performs routine maintenance on the buses. The State Board of Education has developed a maintenance program that must be adhered to. In accordance with the maintenance program, the buses must be inspected every 30 operating days or every 2,500 miles, whichever comes first. The department must also ensure the proper maintenance of the Board of Education mandated traffic warning devices, first aid kits, fire extinguishers, warning triangles, etc.

PURPOSE

The purpose of this audit was to:

- Evaluate the design and operation of the system of internal controls over scheduling of buses for normal routes and special activities.
- Evaluate the design and operation of the system of internal controls over transportation payroll.
- Evaluate the design and operation of the system of internal controls over the maintenance of school buses.
- Verify compliance with relevant laws and regulations related to pupil transportation.

SCOPE

The audit focused on the system of internal controls in place as of June 30, 2002 and compliance with certain laws and regulations. We tested transactions occurring between July 1, 2001 and June 30, 2002. The audit did not address the efficiency and effectiveness of delivering students to and from school or student safety and conduct on the school buses.

METHODOLOGY

We gained an understanding of the operations of the transportation department through observation and interviews of employees of the department. We reviewed the Roanoke City School Board policy manual, State and Federal Laws, and the Virginia State Board of Education regulations as they related to school pupil transportation. Based on this information, we developed tests to evaluate the operation and effectiveness of controls and compliance with relevant laws and regulations.

RESULTS

The transportation department has developed a number of procedures, forms, and checklists to ensure their compliance with Virginia State Board of Education regulations. We performed various tests to determine the effectiveness of these procedures, forms, and checklists. We found that the department appears to be aware of the various

regulations that they are subject to, but documentation can be strengthened to improve the internal controls related to certain of the regulations. Our test work indicated that the department was in compliance with requirements set forth in Virginia Board of Education regulation 8 VAC 20-70-490, requiring that the school system have a capital replacement plan for the bus fleet. Additionally, test work indicated that the school system was in compliance with Virginia Board of Education regulation 8 VAC 20-70-280, requiring that all drivers have an annual physical exam meeting Board of Education specifications. Specific instances of areas in need of improvement are described below.

Finding 01: Route Evaluation

The Virginia Board of Education's regulation 8 VAC 20-70-160 states, "the school bus route, school sites, and safety of pupils at bus stops shall be reviewed at least once each year. Bus routes shall be reviewed for safety hazards, fuel conservation, and to assure maximum use of buses." During our documentation of controls and test work, we noted that the school system complied with certain aspects of this regulation but was deficient in other aspects. The transportation department does not document the review of bus route safety. The safety coordinator observes each route in the process of completing behind-the-wheel driver evaluations, but does not document an evaluation of the safety of the routes. The transportation department also does not evaluate the bus routes for fuel conservation and maximum use of the buses on an annual basis. Each year, the bus routes are typically assigned as they were in the previous year and adjustments are made as needed in the first few weeks of school. The routes represent an evolution of 20+ years of experience and adjustment.

Recommendation 01: Route Evaluation

We recommend that the safety coordinator develop a form to be used in conjunction with the driver behind-the-wheel evaluations to evaluate the safety of each bus route on an annual basis. Additionally, we recommend that the transportation department take full advantage of its bus route scheduling software to annually assess the economy and efficiency of its bus routes. This software also has the potential to interface with the schools attendance tracking software and would allow bus routes to be scheduled in advance of the school year as opposed to reactively after the start of the year.

Management's Response 01: Route Evaluation

The transportation staff is currently using the Report of Bus Route Hazards form to evaluate the safety of each bus route. As of July 1, 2002, approximately sixty percent of these forms have been completed. All bus routes will be evaluated by October 15, 2002. With the purchase and future implementation of the new software, we will be able to assess the economy and efficiency of our routes. It will also interface with the schools attendance tracking software to allow bus routes to be scheduled in advance.

Finding 02: Driver Training and Evaluation

There are several regulations that the school system must abide by in regards to driver training and evaluation. The Virginia Board of Education's regulation 8 VAC 20-70-350 requires that no person shall operate a school or activity bus transporting pupils unless the person shall have received classroom demonstration, behind-the-wheel instruction, and completed a minimum of 20 classroom hours and 20 hours of behind-the-wheel instruction. A minimum of 10 of the 20 hours of behind-the-wheel instruction must involve the operation of the bus with pupils on board while under the direct supervision of a trainer. Virginia Board of Education regulation 8 VAC 20-70-360 states that in-service training (at least two hours before opening of schools and at least two hours during the second half of the school year) devoted to improving the skills, attitudes, and knowledge including orientation to maximize benefits of using safety programs and safety components shall be provided to all school or activity bus drivers. Virginia Board of Education regulation 8 VAC 20-70-400 states that the performance of each school and activity bus driver shall be evaluated by the transportation director or his designee at least once each year. We tested records of the transportation department for compliance with the above regulations and noted the following:

- Records are not adequately maintained to support classroom and behind-the-wheel instruction of new drivers. We noted one instance where an employee did not have a new employee training sheet on file. There were multiple instances where either the classroom training or the behind-the-wheel training was not adequately documented on the new employee training sheet.
- 21 of 137 drivers tested (15%) did not have documentation to support the 2 hours of in-service training held before the start of the school year. Additionally, 1 of 137 drivers tested did not have at least 2 hours of in-service training in the second half of the school year.
- 4 of 25 drivers tested did not have an annual evaluation of their behind-the-wheel driving abilities on file.

Recommendation 02: Driver Training and Evaluation

We noted that there has been improvement in the methods used by the transportation department to monitor employee training activities. We recommend that the transportation department continue using spreadsheets to monitor employee training and further refine the spreadsheets to more easily identify exceptions. We recommend that Transportation develop a checklist to monitor the annual driver behind-the-wheel evaluation.

Management's Response 02: Driver Training and Evaluation

Recent changes have been made to place individual records in each employee's file rather than on one document filed in the trainer's office. New spreadsheets with checklists are now being used to monitor employee training on an annual basis.

Finding 03: Payroll

Preparing the payroll service report for the Transportation department is a cumbersome process often requiring the use of multiple forms and time sheets for each employee. Each time sheet must be reviewed for accuracy, and the department makes adjustments as required, but typically does not adjust the original source document. The forms and time sheets have to be compiled into a spreadsheet and then transcribed onto the payroll service reports. The process is susceptible to data entry error due to the immense amount of paper work involved in the process. We noted that there was one instance where an employee in our test sample was not paid for 10.25 hours of work performed. There was another instance where an employee was not charged for an absence that the employee had taken. The Transportation department upon identification of the error corrected each of these exceptions.

Recommendation 03: Payroll

We recommend that the transportation department consider using fewer forms and time sheets to reduce the paper work that must be compiled to generate payroll data. Additionally, when adjustments need to be made to correct errors made by employees on time sheets, the department should make the correction on the source document and initial the change. This will increase accountability for time adjustments and leave a record of the change if questions about an employee's time were to arise in the future.

Management's Response 03: Payroll

New district wide payroll procedures that were put in effect July 1, 2002, will ensure accountability for transportation payroll records. The appropriate party will initial adjustments on documents.

Finding 04: Parts

We noted that adequate controls are not in place over the purchases of parts. When special parts are ordered for specific buses, the purchase order number is not documented on the maintenance work order. Likewise, the work order is not cross referenced to the purchase order. Additionally, parts ordered for stock are not recorded on an inventory listing. There is approximately \$3,800 of parts stock not monitored with an inventory listing at the transportation department. These practices reduce the accountability for parts purchases and increase the risk that parts could be lost.

Recommendation 04: Parts

We recommend that the purchase order number and work order be cross-referenced for parts purchased for specific buses. We recommend the garage maintain an inventory record that lists a description of each stocked part and the number on hand. This inventory record should include entries showing the date and count when parts are received, as well as the related purchase order number. The inventory record should also document the date, work order, and count of parts issued to a job. For efficiency, the garage should establish procedures for managing small dollar, bulk items such as nuts and bolts that should not be entered into the inventory records.

Management's Response 04: Parts

An inventory of all transportation parts was completed on June 14, 2002. The recording of purchase order numbers on the maintenance work orders began in early June 2002, and will be maintained along with other documents when the new software program is implemented.

Finding 05: Monthly Inspections

State Board of Education Regulation 8 VAC 20-70-130 requires that all school buses shall be inspected at least once every 30 operating days or every 2,500 miles traveled, whichever occurs first. During test work completed in relation to this regulation, we noted that 2 of 25 buses testes were not tested within 30 operating days. Additionally, one of the two buses exceeded the 2,500 miles traveled limit. Based on discussions with transportation personnel, we determined that the exceptions were caused by bus drivers ignoring the service orders to have the buses inspected.

Recommendation 05: Monthly Inspections

We recommend that the maintenance department more aggressively pursue drivers who do not comply with requests to leave their buses for the required monthly inspections and immediately notify the Director of Transportation to ensure that the buses are inspected as required by law.

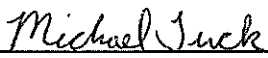
Management's Response 05: Monthly Inspections

The addition of the second shift mechanic in February 2002 has greatly enhanced our ability to service and inspect buses to meet the state requirements without interfering with daily operations. Personnel action will be taken with bus drivers who fail to turn-in buses for the scheduled inspections.


CONCLUSION

Based on the results of our audit work, we conclude that the internal controls in the transportation department should be reviewed and strengthened by management in order to provide reasonable assurance that buses are properly scheduled and maintained, payroll is accurate, and transportation complies with the requirements of the Virginia Board of Education's regulations.

We would like to thank the Department of Transportation for their cooperation and assistance during the audit.



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